

# Exhibit K



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**LENGTH:** 584 words

**HEADLINE:** SEC Charges Former Officers Of Subprime Lender New Century With Fraud

**BODY:**

The Securities and Exchange Commission today charged three former top officers of New Century Financial Corporation with securities fraud for misleading investors as New Century's subprime mortgage business was collapsing in 2006. At the time of the fraud, New Century was one of the largest subprime lenders in the nation.

"New Century shareholders took a double-hit: the company's mortgage assets and business performance became increasingly impaired, and management manipulated its numbers and concealed its deteriorating performance," said Robert Khuzami, the SEC's Director of Enforcement.

The SEC is devoting significant resources to identifying and holding accountable those who committed fraud in the subprime industry. Previous mortgage-related SEC enforcement actions include securities fraud charges against Countrywide Financial CEO Angelo Mozilo, and senior executives, including the CEO, of American Home Mortgage Investment Corp.

In the case of New Century, the SEC's complaint names as defendants:

In its complaint, the SEC alleges that New Century disclosures generally sought to assure investors that its business was not at risk and was performing better than its peers. Defendants, however, failed to disclose important negative information, including dramatic increases in early loan defaults, loan repurchases, and pending loan repurchase requests. Defendants knew this negative information from numerous internal reports they regularly received, including weekly reports that Morrice ominously entitled "Storm Watch."

The complaint also alleges that Dodge and Kenneally fraudulently accounted for expenses related to bad loans that it had to repurchase. In the face of dramatically increasing loan repurchases and a huge, undisclosed backlog of repurchase demands, Kenneally, with Dodge's knowledge, made changes to New Century's accounting for loan repurchases in both the second and third quarters of 2006. These undisclosed accounting changes violated generally accepted accounting principles and resulted in New Century's improperly avoiding substantial repurchase expenses and materially overstating its financial results.

The complaint further alleges that the defendants' fraud caused investors substantial losses. From early 2006 to early 2007, New Century's stock price ranged from \$30.00 to \$50.00; and in the second half of 2006, the company raised \$142.5 million by selling stock to new investors. After New Century announced in February 2007 that it would have restate its 2006 financial statements, New Century's stock price fell 36% to around \$19.00. New Century's stock price continued to fall, and traded at less than \$1 when the company filed for bankruptcy in April 2007.

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The complaint, filed in federal court in the Central District of California, seeks a final judgment permanently enjoining defendants from future violations of the federal securities laws, disgorgement with prejudgment interest, officer and director bars, and civil penalties. The SEC also seeks from Morrice and Dodge reimbursement of bonuses and incentive or equity-based compensation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

Additional Materials <http://www.sec.gov/litigation/litreleases/2009/lr21327.htm> Litigation Release No. 21327  
<http://www.sec.gov/litigation/complaints/2009/comp21327.pdf> SEC Complaint Former CEO and co-founder Brad A. Morrice of Laguna Beach, Calif. Former CFO Patti M. Dodge of Irvine, Calif. Former Controller David N. Kenneally of Rossmoor, Calif.

**NOTES:** 87267;

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